



January 17, 2023

*Via Electronic Submission*

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Re: **Notice and Request for Comment – Guidelines for Evaluating Account and Services Requests (Docket No. OP-1788)**

Dear Ms. Misback:

The Clearing House Payments Company L.L.C. (“TCH”)<sup>1</sup> appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System’s (“Federal Reserve”) request for public comment on its proposed amendments to its Guidelines for Evaluating Account and Services Requests (the “Guidelines”) that would require the Federal Reserve Banks (“Reserve Banks”) to periodically publish a list of depository institutions that hold Reserve Bank accounts and/or use Reserve Bank financial services.<sup>2</sup> Following the Federal Reserve’s issuance of its proposal, the National Defense Authorization Act for Fiscal Year 2023 (“NDAA”) became law on December 23, 2022 and contains a provision, similar in many but not all aspects to the Federal Reserve’s proposal, requiring the Federal Reserve to create and maintain a public database of institutions that hold master accounts and use Reserve Bank services as well as entities that have requested access.<sup>3</sup>

TCH commends the Federal Reserve for its work establishing a transparent, risk-based, and consistent set of factors in evaluating requests for accounts and services, and for its recent proposal to provide greater public disclosure of account and service-related information. We strongly support the Federal Reserve’s efforts for transparency. TCH is supportive of the proposed amendments to the Guidelines overall and offers a few comments to further improve them.

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<sup>1</sup> The Clearing House Payments Company L.L.C. owns and operates core payments system infrastructure in the United States, clearing and settling more than \$2 trillion each day. See The Clearing House’s website at [www.theclearinghouse.org](http://www.theclearinghouse.org).

<sup>2</sup> Notice and Request for Comment on the Guidelines for Evaluating Account and Services Requests, 87 Fed. Reg. 68691 (Nov. 16, 2022).

<sup>3</sup> James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 5708, 136 Stat. 2395 (2022).

## Discussion

### **1. TCH supports the proposal to periodically publish a list of depository institutions that hold Reserve Bank accounts and/or use Reserve Bank financial services.**

TCH fully supports the Federal Reserve's proposal to revise the Guidelines to require Reserve Banks to periodically publish a consolidated list of depository institutions that hold accounts or use its services in an effort to expand public access to key account and service-related information. As noted in its request for comment, today, Reserve Banks disclose the identity of those financial institutions that use the Fedwire Funds, Fedwire Securities, or FedACH Services through the E-Payments Routing Directory. But the E-Payments Routing Directory does not contain all of the information that the Federal Reserve is proposing to disclose and was not designed as a public disclosure tool.

Moreover, many institutions self-disclose that they hold Reserve Bank master accounts and/or use Reserve Bank financial services. Given that a portion of this information already exists in the public domain, TCH supports the Reserve Banks publishing the names of institutions that hold master accounts or use its services in a more accessible, transparent way through the periodic publishing of a list. We also support the proposal to specifically identify institutions that began or stopped holding a master account and/or using Reserve Bank services since the previous published report and believe including a section like this is imperative for transparency purposes. While we applaud the Federal Reserve's interest in greater transparency, the proposal omits actionable information related to the identification of institutions that have applied for an account or services. Therefore, TCH would encourage the Federal Reserve to expand this disclosure to include institutions that have requested, but have not yet been granted, an account or services. We further recommend the Federal Reserve invite public comment on account and services applications especially with respect to tier three institutions given the risks that such institutions could pose. While TCH believes the NDAA addresses this concept to a certain extent, as discussed further below, TCH believes the NDAA may not adequately capture institutions that seek to use Reserve Bank services but do not hold or seek to hold a master account.

### **2. TCH recommends the Reserve Banks distinguish between those institutions that have a master account from those institutions that do not have a master account but still use Reserve Bank financial services.**

One of the key features of the proposal would be a single, Federal Reserve System-wide report, issued on a quarterly basis, with (i) a list of federally-insured depository institutions that hold accounts and use services, and (ii) a list of non-federally insured depository institutions that hold accounts and use services. Further, this consolidated list of depository institutions would include those institutions that settle their Federal Reserve activity in their own master account and those institutions that settle their transactions using another institution's master account. Because a depository institution that maintains an account with a Reserve Bank may choose to settle some of its activities to its own account and some to another institution's master account, TCH would suggest that the Federal Reserve instead focus solely on distinguishing between account holders, and non-account holders that use Reserve Bank services. We believe that this was likely the intent of the proposal and would make the disclosure easier to understand.

As noted above, the NDAA contains a similar provision requiring a public, online database of institutions that hold master accounts and use Reserve Bank services as well as entities that have requested access. The database must further include when the access request was submitted and whether it was approved, rejected, pending, or withdrawn. As enacted, the NDAA does not address the nuance of institutions that may use Reserve Bank financial services without themselves holding a master account. We continue to believe that the intention behind both the proposal and the NDAA is disclose both the names of institutions that hold master accounts and those that use Reserve Bank services but do not hold master accounts. We therefore reiterate our request that the Federal Reserve disclose both a list of account holders, and non-account holders that use Reserve Bank services.

**3. TCH recommends the Federal Reserve revise or clarify the meaning behind the phrase “access to accounts and/or services.”**

Finally, TCH respectfully notes that the phrase “access to account and/or services” used throughout the proposal may be taken to mean *eligibility* for an account or service. It is possible that one could read this as if an institution that does not have “access” to an account is therefore not eligible for an account. Or an institution that does not have access to a Reserve Bank service is not eligible to use the service. Clearly, however, there are many reasons why an institution may elect not to obtain an account even though it is eligible for one. Given this slight nuance, we recommend the Federal Reserve express this same idea in a slightly different manner by using a separate phrase, such as hold an account or use a service, or further clarifying that an institution that does not have access might still be eligible to hold an account if it applied for one.

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Thank you for your consideration of these comments. If you have any questions or wish to discuss this letter, please do not hesitate to contact me.

Yours very truly,



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